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Procedia - Social and Behavioral Sciences 169 (2015) 346 – 353

Procedia
Social and Behavioral Sciences

The 6th Indonesia International Conference on Innovation, Entrepreneurship and Small Business,
12 – 14 August 2014

Mapping on Entrepreneurship Policy in Indonesia

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Abstract

Entrepreneurship policy has an influence in creating a conducive environment to support and develop entrepreneurship. A challenge in developing entrepreneurship policy is that one policy applied in certain areas cannot be applied in other areas automatically. The number of entrepreneurship policy literature, mostly originates from developed country or few from developing country. As well as in Indonesia, entrepreneurship policy has not been explored yet. The first attempt of this research is to define the mapping of entrepreneurship policy in Indonesia. The current research addresses research questions, namely the objectives of entrepreneurship policy; categories of entrepreneurship policy in different units of analysis; and entrepreneurship policy programs. Research method is using a qualitative descriptive research. The process includes policy stages, from agenda setting, formulation, and implementation stage of entrepreneurship policy; while the analysis is conducted based on the principles of categorization of entrepreneurship policy content. This study contributes to reveal the implementation of entrepreneurship policy in Indonesia; enrich entrepreneurship policy literature; and suggest recommendation on a more customized and structural entrepreneurship policy for promoting entrepreneurship.

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Peer-review under responsibility of Center for Innovation, Entrepreneurship, and Leadership (CIEL), School of Business and Managements (SBM), Institut Teknologi Bandung (ITB).

Keywords: entrepreneurship; entrepreneurship policy; Indonesia; policy mapping; government policy.

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1. Introduction

The impact of entrepreneurship has been acknowledged and supported by existing research. Previous research showed that entrepreneurship is a catalyst for economic growth (Audretsch and Thurik, 2001; Carree and Thurik, 2003), national competitiveness by creating new firms, job creation, innovation, and productivity (Leutkenhorst, 2004). In developing entrepreneurship, government policy has a big influence, in order to establish an environment and create infrastructure that support entrepreneurship (Minniti, 2008). Entrepreneurship has emerged as a focus of public policy, in this situation government should be alert, observant, and precise to the issue of conducive and productive policy. It is clear that in implementing the entrepreneurship policy, one size does not fit all and in the long run, governments should provide a conducive environment for the emergence of productive entrepreneurship rather than unproductive entrepreneurship (Minniti, 2008).

Until now there is not any available information about the implementation of entrepreneurship policy in Indonesia, about how entrepreneurship policy works in Indonesia, and policy product related to entrepreneurship policy. The number of references of entrepreneurship policy implementation in the context of region or country mostly originates from developed country or only few from developing country. Therefore, this study is interesting to be explored, considering the results can be very rewarding and give a significant result in the process of implementation of entrepreneurship policy in Indonesia. The first attempt to conduct the entrepreneurship policy is to define the mapping of existing entrepreneurship policy implemented in Indonesia.

This paper focuses on entrepreneurship policy mapping in different policy levels and stages in Indonesia. The research questions areas follows:

- 1 What are the objectives of entrepreneurship policy?
- 2 What is the level of analysis for the implementation of entrepreneurship policies in Indonesia?
- 3 What are the categories of existing entrepreneurship policy in Indonesia?
- 4 What are the policies' products (program or interventions) related to those agendas?

This study contributes on academic contribution, namely reveal the implementation of entrepreneurship policy in different units of analysis and policy stages; identify categorization of entrepreneurship policy; enrich entrepreneurship policy literature; and suggest a more customized and structural entrepreneurship policy recommendation for promoting entrepreneurship.

After this introduction, this paper is structured as follows, section two is concerned with several existing research and theory related to entrepreneurship policy. Section three is concerned with the research methodology to discover research question and demonstrating the systematic searching process. Section four is concerned with the research finding. Section five is concerned with the analysis and discussion of research findings. Finally, section six and seven are conclusion and suggestion for further research.

2. Literature Review

2.1. Definition of Entrepreneurship Policy

Entrepreneurship policy is the part of environmental factors that should support the development of entrepreneurship. Currently entrepreneurship policy and SME policy are used interchangeably. Lundström and Stevenson (2005), made first efforts to comprehensively define the term of entrepreneurship policy, namely, policy measures taken to stimulate entrepreneurship aimed at the pre-start, start-up and early post start-up phases of the entrepreneurial process. It is designed and delivered to address the areas of motivation, opportunity and skills, with the primary objective of encouraging more people to consider entrepreneurship, to move into the nascent stage and proceed into start-up and early phases of a business.

2.2. The Need of Entrepreneurship Policy

The need of entrepreneurship policy arises in line with the more interests of research to identify the impact of entrepreneurship. Some compelling driving forces behind this interest were the growing body of research on the

relationship between entrepreneurship and economic growth (Carree and Thurik, 2003; Kirzner, 1982), the essential contribution of new firms to employment growth and economic renewal (Audretsch and Thurik, 2001; Kirchoff, 1994; Friis et al., 2002), and influences on the differing rates of business ownership and entrepreneurial activity across nations (Carree et al., 2002; Reynolds et al., 2004). This research will lead to the critical contribution of new firms to job creation, innovation, productivity, and economic growth in an economy (Lundström and Stevenson, 2005).

Research conducted by Wennekers and Thurik (1999) showed the linking of entrepreneurship to economic development. Research was differentiated by the levels of analysis which are macro level, micro level, and meso level. Micro level or individual level needs certain condition for entrepreneurship, those are psychological endowment (attitudes, skills, action), and this will lead to self-realization or personal wealth. Meso level or firm's level needs condition such as business culture incentives, which crucial element to startups entry into new markets and innovation; and this will lead to firms' performance. While in macro level, the condition needed is an institution and culture. Crucial elements of entrepreneurship in macro level are a variety of competitive selection and it will lead to the impact of entrepreneurship that is, competitiveness or economic growth.

From the existing models, researcher is making a framework of entrepreneurship policy. Based on the presumption that entrepreneurship is a process and then the entrepreneurship policy should involve the entire process of entrepreneurship, including opportunity identification, idea evaluation and action, which is business implementation. Input is considered as an initial condition where there is no any policy implemented, it covers all conditions needed for people to start their new venture. The action serves as a condition where several entrepreneurship policies are implemented. The output is the expected result when the entrepreneurship policy has been implemented. The output is differentiated based on the unit of analysis. Unit of analysis in entrepreneurship policy as mentioned in research conducted by Verheul (2001) and Wennekers and Thurik (1999), should also be included in entrepreneurship policy model, this is intended to separate the object in which entrepreneurship policy is implemented and the output of those regulations. Unit of analysis covers macro, meso, and micro level. Micro level or individual level needs certain condition for entrepreneurship, those are psychological endowment (attitudes, skills, action), and this will lead to self-realization or personal wealth. Meso level or firm's level needs condition such as business culture incentives, which crucial element to startups entry into new markets and innovation; and this will lead to firms' performance. While in macro level, the condition needed is an institution and culture. Crucial elements of entrepreneurship in macro level are a variety of competitive selection and it will lead to the impact of entrepreneurship that is competitiveness or economic growth. This research is using descriptive study. The process includes the policy process stages starting from agenda setting, formulation, and implementation of entrepreneurship policy.

3. Research Methodology

3.1. Research Design

An exploratory qualitative descriptive research design is used in this study. The analysis is conducted within the principles of categorization of entrepreneurship policy content. As shown in Table 3.1, the study uses documentation reading technique, which identifies and categorizes policies related to entrepreneurship in the order. The categorization is based on keywords from entrepreneurship research framework which differentiate the unit of analysis (macro, meso, and micro level) and policy stage as well (agenda setting, formulation, and implementation stage).

The categorization of entrepreneurship policy is differentiated based on the unit of analysis. At micro level, the categories cover skills, opportunity, and motivation; at meso level, the categories cover administrative burden, incentive, and business incentive; while at macro level, the categories cover entrepreneurship culture, entrepreneurship infrastructure, and education.

Table 1. Research Design

	Categories	Policy Stage	Issues	Sources	Expected Result
Entrepreneurship Policy	<ul style="list-style-type: none"> • Skills • Opportunity • Motivation • Administrative Burden • Incentive • Business incentive • Entrepreneurship culture • Entrepreneurship • Infrastructure • Education 	Agenda setting	<ul style="list-style-type: none"> - Issues - Actors 	RPJPN	<ul style="list-style-type: none"> - Mapping of entrepreneurship policy implementation in Indonesia
		Formulation	<ul style="list-style-type: none"> - Goal - Policy instruments - Actors 	UU, PP, PerPres, KePres, InPress	<ul style="list-style-type: none"> - The objectives of entrepreneurship policy
		Implementation	<ul style="list-style-type: none"> - Policy Program - Categories of program - Target - Unit of analysis 	Entrepreneurship program	<ul style="list-style-type: none"> - Policy products which related to entrepreneurship in different units of analysis - The categories of existing entrepreneurship policy
Unit of Analysis	Macro, Meso, and Micro level				
Techniques	Document reading				

The sources used in the study are as follows, at agenda setting document sources is from National Long-Term Development Plan (RPJPN 2005-2025) developed by the Ministry of National Development Planning/National Development Planning Agency. At formulation stage, sources are from product of regulation (periods 2005-2015) such as Law, Government Regulations, Presidential Regulation, Presidential Decree, and Presidential Instruction. At implementation stage, sources are identified from government program related to entrepreneurship, which implemented in ministries. Furthermore, the sources are filtered and put in a group based on entrepreneurship policy categorization proposed.

4. Research Findings

Ministry of Nasional Development Planning/National Development Planning Agency produces National Long-Term Development Plan (RPJPN). It serves as guidance for government to develop their program. Planning RPJPN (2005-2025) is filtered based on the categorization. Each of programs' planning are determined on the actors involved and the issue at agenda setting stage. At formulation stage, entrepreneurship policies are identified from product of regulation (periods 2005-2015). Each of the regulations are grouped based on categories of entrepreneurship policy and determined based on policy instruments, goal and actors. At implementation stage, entrepreneurship programs are identified from related ministries program. The programs are filtered and determined based on categories of entrepreneurship policy and target. The result is shown in Table 4.1.

Table 2. Entrepreneurship program at implementation stage

Ministries	Policy Program	Categories	Target
Ministry of Education	Center for learning community activities (PKBM)	Entrepreneurship education, technical skill (technology, computer), marketing skill, motivation	Creating entrepreneurs in technology, information and communication-based business
Ministry of Industry	Incubator Business center	Skill, motivation	Producing graduates who are ready to run a business or do cooperation or partnership with industry in providing services particularly in the field of information and technology
Ministry of Cooperatives and SMEs	National Entrepreneurship Movement (GKN)	Motivation, skill, ekspose, venture capital	Create 1,000 potential start ups business proposal for developing young entrepreneurs from various universities
Ministry of Education	Community Entrepreneurship Program (PKM)	Entrepreneurship education,	Encouraging the entrepreneurial spirit
Ministry of	Youths Agriculture	Skill, entrepreneurship education,	Creating an entrepreneurial young farmers

Ministries	Policy Program	Categories	Target
Agriculture	Generations (Generasi Muda Pertanian)	entrepreneurship culture, entrepreneurship infrastructure	who are creative, innovative, competitive, global perspective and professional
Ministry of Industry	Entrepreneurship Program (Perahu)	Training and mentoring	Increasing the number of entrepreneurs
Ministry of Manpower and Transmigration	Entrepreneurship Training (Pelatihan Kewirausahaan)	Business training, technical training, and management training, internships, implementation of appropriate technology and mentoring	Creation of successful entrepreneurs about 10,000 entrepreneurs in various businesses each year
Ministry of Industry	National Industrial Policy (Kebijakan Industri Nasional)	Mentoring	Enhancing the role of small and medium enterprises to GDP
Ministry of Industry	Training for SME consultancy trainer (Diklat Konsultan Diagnosis IKM/Shindanshi)	Training for Trainer	Trainer for SMEs consultancy activities
Ministry of Industry	Regional IT Center of Excellence (RICE)	Training, Seminar, socialization, communication forum, exhibition (RICE Expo), mentoring	Accelerate the development of telematics industry by providing support for a startup company in the field of telematics
Ministry of Industry	Scholarship program for Trainer (Tenaga Penyuluh Lapangan)	Training for Trainer	Accelerate the growth of small and medium enterprises through preparing training for trainer
Ministry of Cooperatives and SMEs	Soft loan (KUR)	Venture capital	Capital aids for SMEs

5. Discussion

In this study, entrepreneurship policy is distinguished by units of analysis, namely micro and macro level. At micro level, programs are concerned with individual. The expected result at micro level is the increasing number of startups business or new entrepreneurs. Government programs at micro levels are as follows Business Incubator, Youths Generations Agriculture (Agricultural Youths), Entrepreneurship Training, PERAHU, PKBM, GKN, National Industrial Policy (National Industrial Policy) and RICE. The categorization of intervention/program focuses on several issues such as motivation, business training, technical skills training, management training, internships, mentoring, marketing skills, exposure, seminar, socialization, communication forums, and exhibition (as shown at Figure 5.1).

At meso level, government programs have not been much explored. There are several regulations from law products related to entrepreneurship, but have not been found yet any government program at meso level which support entrepreneurship or may have not been implemented yet, such as incentives for startups business or micro and small business, incentives for actors who implement the appropriate technology, and ease of doing business, though there is one stop service program.

At macro level, several government programs that have been implemented are as follow soft loan (KUR), Youths Agriculture Generations (Generasi Muda Pertanian), Training for SME consultancy trainer (Diklat Konsultan Diagnosis IKM/Shindanshi), Scholarship program for Trainer (Tenaga Penyuluh Lapangan), Center for learning community activities (PKBM), National Entrepreneurship Movement (GKN), and Community Entrepreneurship Program (PKM) (Fig. 5.2). The categorization of government interventions include venture capital, entrepreneurship education, entrepreneurship culture, entrepreneurship infrastructure, and training for trainer (as shown at Figure 5.2).

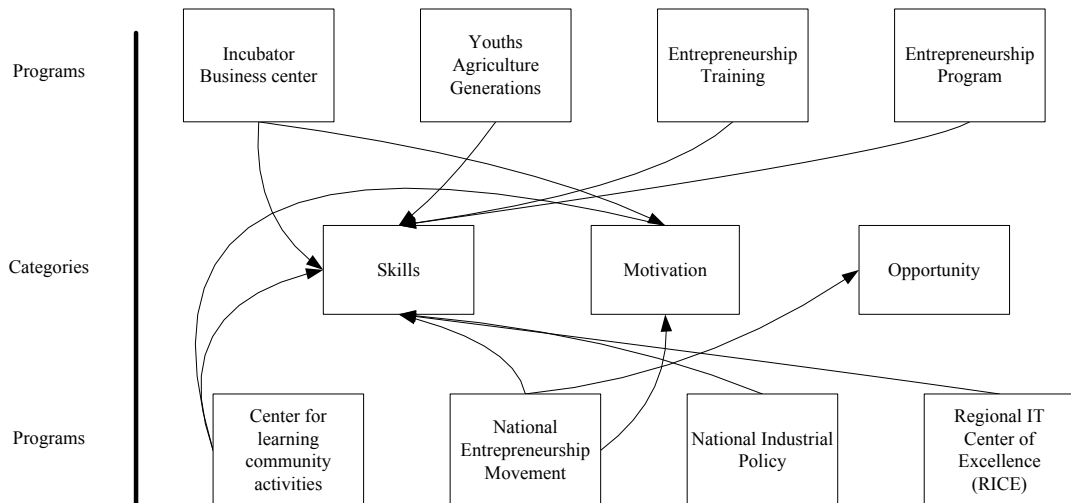


Fig 1. Mapping of Entrepreneurship Policy at Micro Level

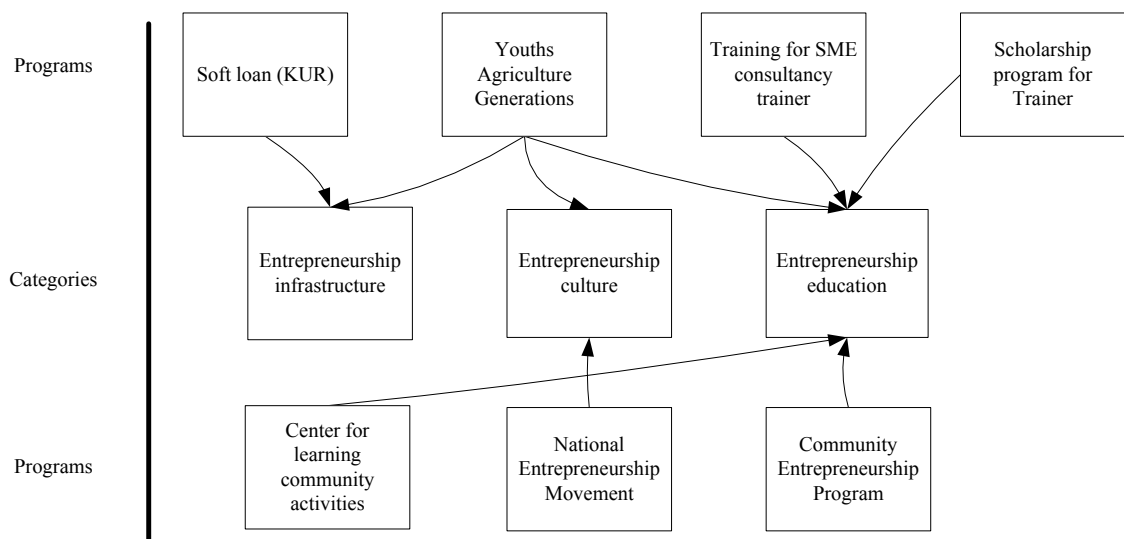


Fig 2. Mapping of Entrepreneurship Policy at Macro Level

6. Conclusion

From this study, it can be concluded that the objectives of entrepreneurship in Indonesia is to increase the number of new venture or entrepreneurs. entrepreneurship policy implemented at the micro level is still largely focus on development of skills, opportunity, and motivation. Skills cover managerial, business and technical skills; motivation covers incubator or mentorship, role models, and exposure; while opportunity covers exposure, access to markets and acces to finance. At the macro level, government intervention focuses on venture capital, entrepreneurship education, entrepreneurship culture, entrepreneurship infrastructure, and training for trainer.

Until now the government programs that have been identified and associated with entrepreneurship, there were

12 which is as follows Incubator Business center, Youths Agriculture Generations (Generasi Muda Pertanian), Entrepreneurship Training (Pelatihan Kewirausahaan), Entrepreneurship Program (Perahu), Center for learning community activities (PKBM), National Entrepreneurship Movement (GKN), National Industrial Policy (Kebijakan Industri Nasional), Regional IT Center of Excellence (RICE), Community Entrepreneurship Program (PKM), Training for SME consultancy trainer (Diklat Konsultan Diagnosis IKM/Shindanshi), Scholarship program for Trainer (Tenaga Penyuluh Lapangan), dan Soft loan (KUR).

7. Future Research

Future research should be done to complete the data with a comprehensive understanding including interview with the actors such as government, entrepreneurs, academicians, and community. Additional analysis must be performed to examine the hierarchy of regulation, to identify the alignment and overlapping of those regulation. At evaluation stage, the analyses areal so important to be done in the future research, in order to analyze the impact of the government programs.

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